INCOME AND THE PRINCIPLE OF SERVICE

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A firm belief in progress is implied in the familiar quotation, "No question is settled until it is settled right." That so many men—that, indeed, the average man—should unhesitatingly subscribe to that assertion or generalization is indisputably a significant fact, one that attests the ingrained belief in the idea of progress. Taking a concrete case, if we should say that the interest question will never be settled until it is settled right, would any thoughtful man venture to challenge the affirmation? Nothing is more striking in the features of our age than the universal acceptance of the principle of service—that is, of service as the only basis of reward or title thereto. The complexities of our industrial and social order are such that our definitions of "work" or of "service" must necessarily be broader and subtler than those of a primitive and simple community; but the principle is not affected by the superficial complexities. More and more generally is the doctrine accepted as a matter of course that he who does not work or usefully serve has no right to support, to income. If this be not proof of moral advance, no such proof is in truth conceivable.

Professor Scott Nearing has in a manner wholly modern reopened the whole question of title to income. In his book on *Income*, as well as in his recent contribution to this *Journal*, he has issued a challenge to the economic and ethical champions of "property income," and particularly of interest. He would be the last man on earth to claim that he has given this subject exhaustive or searching treatment. But he has boldly and vigorously raised a question that too many writers and thinkers had forgotten. To some of his incidental views exception may be taken; but his facts and his figures are so impressive that the most complacent and Panglossian of publicists will find it impossible to ignore them or dismiss them with the stereotyped platitudes.

Billions, Mr. Nearing shows, are claimed and collected annually by holders of titles to property in various shapes or forms. These proprietors, in the great majority of cases, render no palpable service to society; or, if they do render such service, they receive compensation for it apart from the income they derive from their "investments." What are these billions of "property income" paid *for?* What is society getting for them? If society gets nothing in return, then property income is sheer robbery, as Proudhon maintained. If society gets something, then, of course, the principle of service is not violated. But what is that something?

Professor Nearing has briefly examined and disposed of certain conventional theories of property income. The present writer wishes in this paper to pursue a somewhat different line of argument and to analyze other theories that have been advanced to justify interest. Some conclusions may be ventured upon at the close.

There are three main sources of property income. Two of them, profit and rent, will not detain us. Profit is defined as the wage of the enterprising capitalist, the employer of labor. The normal rate of profit in business is not excessive, and where the employer is an active worker, his profit may indeed be his wages—and he is worthy of his hire. Where the profit is extraordinarily large we find either the element of privilege, of monopoly—legal or illegal—or the element of rare ability, of genius, or a combination of both elements. No one complains of the "profits" of the average farmer, or of the small shopkeeper, or of the small manufacturer. "Differential" profits, commanded by superior business ability or the gift for organization and administration, seldom constitute an evil or menace, since they tend to disappear where competition is really free and the laws against unfair practices or monopolistic oppression are enforced with reasonable vigor and effectiveness. Whether or not society is wise in its patent and copyright policies is a question that may be passed over on this occasion. Even if we assume that some injustice is traceable to these policies, that injustice is not serious enough to threaten social stability and social progress. An intelligent assault on profit is at bottom an assault on privilege and monopoly.

Rent is defined by economists as the price paid for the use of a monopolized natural agent. Now, where land monopoly or the monopolization of other natural resources begets rent, our quarrel is with the monopoly, not with any theory of rent, classical or modern. Rent will arise under certain conditions, and what society has been asking more and more persistently is whether these conditions are "natural"—that is, morally defensible and right. Where the conditions represent feudal survivals, expropriation of the tillers of the soil, inclosures of commons contrary to law or with the sanction of class-controlled parliaments; where the monopoly of land and mines and other natural resources may be traced to royal grants or perfectly arbitrary and profligate surrender of the common heritage, the case is morally simple enough, even if practically any attempted rectification may be full of difficulties and dangers. In France, a great revolution transferred the land to the peasant masses and in a terrible, sanguinary manner solved a problem that would have plagued generations. In Ireland, land purchase on an extraordinary scale is effecting a peaceable revolution and solving the "rack rent" problem and the problem of absentee and parasitic landlordism. The wisdom and beneficence of the Irish land-purchase legislation—so fiercely attacked when initiated by a liberal cabinet and popular premier—no one now seriously questions. Wherever the land question is "up for solution," the solution is certain to be found in the abolition of monopoly and the transfer of land to occupying owners and cultivators. Nationalization, the single tax, and other schemes severally contain the essential and saving idea of equalization of natural opportunity. None of the familiar schemes may get itself accepted in the precise form favored by its advocates, but the general direction and the true nature of the reforms that are surely "coming" are unmistakably indicated to the impartial students of the land and rent questions.

Nor is this at all surprising. The average man, who applies "mere common-sense" to everything, agrees with the most anxious and scholarly investigator of "origins" and tenures that land monopoly is immoral, anti-social, and in the long run "impossible." The wonderful success of Henry George's *Progress and Poverty*

is due to this fact. Scientific economists found much in the book to deride and condemn; but its appeal to common morality and to the rule of reason was, as to the fundamental issue, irresistible. The land is not the product of man's labor; the right of one man to a place in the sun, or on the earth, is neither greater nor less than that of another; no generation may crowd another off the earth; therefore all land arrangements are subject to modification at the dictates of social need and social expediency. Arguments like these are simply unanswerable, and whoever has attempted to answer them has had to fall back on the plea that, whatever may be the case with the Ricardian "properties of the soil," native and indestructible, land today is generally the product of man's capital and labor. Land has for generations been bought and sold like other commodities; capital has been invested therein; improvements, the maintenance or even the increase of fertility are the work of man, not of nature. How, then, can we reopen the ancient question of title to the original form and quality of the property? If we wish to be honest and contemplate compensation to the present owners (as in the case of the above-mentioned Irish example), it is supposed to be demonstrable that the operation would cost more than it is worth to society.

Without analyzing these and similar arguments (in truth, they are hardly worth analysis), it is important to note here that what, after all, emerges from them is the claim that rent today is largely or mostly interest on capital invested in land rather than payment for the use of a natural agent or factor that has somehow been appropriated by this or that person.

It may be added that, as a matter of fact, a great deal of what is conventionally described and classified as profit or rent is in reality nothing but interest on capital. Professor Nearing is right in objecting to the old classification and in urging that the subject of income be considered in a new light and with reference to the notorious facts of the present economic and social order.

The knotty, the crucial, the basic question is the question of interest. If interest is wrong, the other forms of property income will fall with it; but if interest is right and defensible, then the

assaults on rent and profit are generally vain and futile, except in so far as they are assaults on naked monopoly.

Now, interest has staunch and convinced defenders, not only among the scientific economists, but also among the plain, hard-headed men of affairs, and even among the working classes. Professor Nearing candidly recognizes this fact. Is it not a significant fact? May there not be a soul of good in a thing seemingly evil that is yet widely accepted as natural and right?

Perhaps the best way to analyze interest is to take first the common-sense view of the average man—the average toiler, even, who keeps his hard-earned savings in a bank, and draws interest on them at the "low" rate of 3 or 3½ per cent.

Now, let us approach a thrifty mechanic and tell him that interest is immoral and unjust—a modern form of exploitation and robbery. What will he be likely to think aloud? Something like this, it is safe to say: "I have worked hard and still work hard. I have to deprive myself of all sorts of little comforts and pleasures to which I think I am fairly entitled—amusements, little trips, vacations, an extra hat for my wife or daughter, a nice little birthday dinner at a good restaurant. I have friends and acquaintances who earn no more, or even perhaps less, than I do, and who allow themselves such occasional luxuries. They have saved little, if any, of their earnings. This has been imprudent and wrong on their part, as every moralist and economist tells us. If I, on the other hand, have put my honest savings in a bank, is it not perfectly fair that I should get some interest on my money?"

This, of course, is a simple, unadorned version of the abstinence theory of interest. The mechanic demands a reward for his self-denial, his thrift, his economy. Suppose we answer him by pointing out that what, in effect, he is asking is that he be permitted to eat his cake and have it too—have it whole and unimpaired; suppose we point out to him that his savings *are* his reward, the sole and sufficient reward of his abstinence and thrift; that his less prudent friends may live to regret their self-indulgence, since they have nothing to fall back on in the event of accident or misfortune, and since old age may find them destitute and condemned to dependence on charity, while he, because of his virtue and foresight,

enjoys freedom from worry and dread, is able to sleep peacefully, and to face the future serenely. Suppose we say all this to him and ask him whether he still thinks society owes him interest; what is likely to be his rejoinder?

This, probably: that while the foregoing reasoning might be valid in a case where a man kept his little hoard at home, in a secret place, idle and useless to the body social and economic, it is not valid in a case like his, for *he* puts his savings in a bank and through the bank into circulation, and, as everybody knows, banks lend money to their customers and charge them interest on it. Why should the bank get the interest earned by the money of the depositors? It may be entitled to part of the interest, since it takes care of the money, provides safety vaults for it, and incurs expenses of administration. But under modern conditions the compensation for the bank's service to the depositor need not be large, need not absorb the entire interest earned by his money. Indeed, many commercial banks pay interest to depositors on their average daily balances. Hence, the man who puts his savings into a savings bank expects and gets interest on his money.

Again, this common-sense answer is wholly satisfactory as far as it goes. But it merely pushes the real question one step back—from the individual depositor to the bank. How does the bank earn the interest? Why is it able to charge interest?

Here the average person will perhaps pause for a moment and then advance a more complicated theory, a compound of the two distinct theories of abstinence and productivity. He will explain that the bank is able to charge interest because its borrowers use the money productively and profitably. The manufacturer and the merchant, the exporter and the jobber, the speculator and the exchange operator—all these borrow money of the bank in order to "make" money, to make more money than they could make without the additional capital thus obtained. Our common-sense defender of interest will therefore proceed to argue thus: "He who borrows my savings of the bank hands me over, as interest, part of his increased income. He makes more because of my money, and he is perfectly willing to divide the increase with me. My abstinence and self-denial are advantageous to him; and my interest is

not a reward of virtue in the abstract, but a reward of virtue that is directly and immediately useful to him and therefore to industrial society. Why, then, is this interest unjust?"

This little argument amounts to this—that interest *is* payment for service. Abstinence on the part of some enables others to do business on a larger scale than they could otherwise undertake; they realize larger gains or profits, and in paying interest they pay for a distinct service rendered them by the abstainers.

The learned political economists make the same argument in more technical and scientific language. They do not, gifts and legacies aside, quarrel with the principle of service, or with the formula, "No work, no food"; but they contend that the man of property who lends his money to another for use in industry or commerce performs a valuable service—"works," in other words, by letting his capital work in the hands of another man.

But how do the learned economists meet the two objections that the average man, armed with his common-sense and little business experience, can hardly be expected to know how to meet?

The first of these objections is that abstinence has its reward in the before-mentioned security and peace which it brings, and is really not entitled to any further reward. To repeat the homely simile used already in the discussion with the average practical person, the man who saves his cake has it, and if he lends it to another and gets back another cake of the same quality and size, he has all the reward he would seem to be entitled to. Suppose we sit down to a rich meal and conclude that it would be improvident to consume all that is spread before us. We leave something for the next meal, this act possibly involving a little resistance to the immediate appetite. Is not the next meal our sufficient reward? Do we need an additional incentive?

The economist thinks that we do, and that, in a sense, it is quite reasonable to demand that we eat our cake and have it too. Perhaps the ablest and keenest defense of this position was that made by Böhm-Bawerk, the Austrian statesman and financier, in his well-known work. His theory of interest is a modernized and purged version of the abstinence theory. It may be summarized thus: It is natural to men to prefer present goods, present

pleasures and satisfactions, to future goods, pleasures, or satisfactions. The thing we want today has a higher value for us, psychologically speaking, than the promise of the same thing for next week or next month. We do not like to postpone agreeable things, and sometimes postponement is positively painful. Besides, the future is uncertain; we may not live to enjoy the promised pleasure; or we may not be well enough or contented enough to care for it. To defer the consumption of goods is, therefore, to make a real sacrifice, even though we eventually consume the goods. This sacrifice, moreover, we would not always make for our own sake, for the sake of future security or enjoyment. To induce us to make it, those who use our savings must pay us some compensation. Interest is this compensation; it represents the difference in value between present goods and future goods.

In this explanation, manifestly, the economist appeals to psychology, to human experience at large. It must be admitted at once that the alleged difference is not fanciful. It exists. We all feel it, whether we have to defer a visit to the theater or a trip to Europe. And it must also be admitted that the sacrifice involved in deferring pleasure or enjoyment must as a rule be paid for. But all this is hardly sufficient to justify interest as we know it. That interest, as now paid, is nothing *but* compensation for sacrifice in the sense indicated is pure assumption. May it not be altogether excessive from that point of view? May not other and less legitimate elements enter into it? As a matter of fact, we shall see that other elements do enter into interest.

Here, however, the second objection to interest above alluded to should be considered. If interest is compensation for abstinence, or for the sacrifice involved in deferred satisfactions, in giving up goods today for goods to be consumed in the future, why is interest paid to those who do not abstain and do not consciously or unconsciously defer any pleasure?

Professor Nearing in his *Income* mentions this objection among others in the following trenchant paragraph:

> This income [meaning property income] is not paid in return for meritorious social service; some of those who receive it are notoriously anti-social in all their dealings. It is not paid for abstinence; many of the recipients of

property income never knew what it was to abstain. It is not paid for saving; there are many people with vast incomes who during their entire lives have never done anything except spend. It is not paid for productive effort; children, disabled persons, idlers, and wastrels are among its recipients.

Karl Marx and Ferdinand Lasalle, in their day, directed withering sarcasm at this same theory of abstinence, self-denial, and sacrifice. They used to point to the idle millionaires, or the sons and daughters of such, and ask whether any economist of the classical school would have the audacity to assert that they have practiced abstinence or denied themselves anything in a spirit of virtue and thrift.

But the economists find this line of reasoning inconclusive. They remind us of the fact that it is the mass of "marginal investors" that count, and that the multimillionaire who draws interest without undergoing hardship and sacrifice no more disproves the theory in question than does the poor washerwoman or seamstress at the other end of the social scale, whose sacrifices are so great that the rate of interest she can command at any time on her slight savings may well seem a pitifully poor compensation for her truly heroic degree of thrift and self-denial. The economists tell us elaborately that the modern theory of interest does not imply that where there is no abstinence, no deferring of pleasures, there can be no interest, any more than that it implies that in every case the interest obtained corresponds strictly to the amount and quality of sacrifice undergone in saving the money that draws the interest. All that the theory implies is that, *as a general proposition*, interest is reward of abstinence and self-denial, and that if no interest were paid, few, if any, would defer satisfactions and save any part of their income. If nine-tenths of those who draw interest, directly or indirectly, do practice abstinence, the remaining tenth, even if they did not do so, would be able to command interest all the same, the rate being determined by the marginal investors. Once the level is fixed, we may find thereon cases that either do not deserve to be there or that deserve to be on a higher level.

It must be owned that this is sound and valid reasoning. If interest can be justified in the great majority of cases, the idle

millionaire with his income from property that represents no sacrifice will cause no trouble to the adherents of the abstinence theory. But the justification intended for the majority of cases leaves much to be desired. To repeat, we may grant that the marginal investors practice self-denial and deserve compensation therefor without being under the smallest compulsion to grant also that the interest now generally paid for capital is nothing *but* compensation for thrift and self-denial. If we accuse a man of having stolen a dollar, and he proves that he has earned and saved a dime, we do not regard the defense as adequate.

Let us now make the strongest possible case for interest under modern industrial and commercial conditions. Let us advance several illustrations that seemingly go to the very root of the matter, illustrations that the man of common-sense and the scholarly economist alike will concede to be not only typical but highly favorable to their view—illustrations, indeed, that are half arguments.

1. A man has saved money, or inherited it from a thrifty and honest father, and has bought a small farm with it. He has a chance to acquire his neighbor's small farm, and he is desirous of doing so. It would be to his distinct advantage to enlarge his holdings. But he has no money in the bank or elsewhere. He decides to borrow. He borrows of another neighbor, or of the local bank in which many of his neighbors keep their savings. He pays interest on the loan—pays it gladly. He expects to profit by the operation. The profit will enable him to pay off the debt.

2. A man of exceptional ability and initiative starts a small business with his own capital. He succeeds; his business grows; he wishes to enlarge his plant. He is accommodated by a bank, or by a private person. He pays the interest and nets a profit in addition. The business continues to expand, and he needs more and more capital. The banks are glad to extend him credit. He becomes rich and powerful—a captain of industry. He makes millions, in spite of the interest burden he has had to carry for years. He has enough to provide for his children and relatives, and to endow charitable and educational institutions. He has had ample reward for his skill and industry, his brains and enterprise. But

he has all along handed over certain parts of his income to those whose capital he has used and by means of which he has accumulated his millions.

3. Several men of business ability and sound morals discern an opportunity or industrial "opening" of which they cannot take advantage, having little or no capital of their own. They organize a corporation. They sell the bonds and stocks of this corporation. The investors who buy the bonds or stocks furnish capital and nothing more. The organizers and entrepreneurs take charge and manage the affairs of the corporation. They employ assistants and superintendents. They prosper; they pay the interest on the bonds and the dividends on the preferred stock; there is a balance left. The balance they claim as their due. It represents their wages, but it may be large enough to include a bonus, a profit.

Now, these and similar instances, indefinitely multiplied and more or less varied, exemplify our present industrial and financial system. Indirect co-operation, joint stock companies, high organization of credit and banking, the "mobilization" and use of other people's savings by captains of industry are among the salient features of this system. Railroads, we know, are owned by thousands of small stockholders. The presidents, managers, and directors are really the paid employees of the true owners, and if the latter have but little power and few of the prerogatives of ownership, that fact is due to their lack of organization, training, and knowledge. But the "true owners" do no work and perform no service apart from the possible service under investigation—the furnishing of the capital.

What is true of railroads is true of banks, shipping companies, mines, mills, and factories. The owners of a concern may be "little fellows" scattered all over the land. The average holding may be exceedingly small. And the progress of what has been called the "peopleization" of industry tends to reduce instead of raise that average.

The true picture in the mind's eye is not therefore one in which a few parasitic idlers, exploiters, or "modern robbers" face a host of oppressed mechanics, laborers, and clerks; it is one of thousands of small investors arrayed against tens of thousands of workers.

Not few, but many, get the property income that is on trial, and these many would be startled and grieved to hear themselves described as Proudhon described them—to be told that interest is sheer robbery.

Still, be the recipients of interest few or many, the principle is not affected. The question remains open: Is interest paid for any real service to industry and society?

Of course, the farmer, the manufacturer, the managers of the corporation in the illustrations above given would maintain strenuously that they pay interest for real and important services. The recipients of the interest would even more strenuously maintain that it represents compensation for genuine service. With all the facts before one, what can he say at this stage of the discussion? Are the objections to interest as irrational, ignorant, and demagogical as the average capitalist thinks they are? Are they as superficial and unscientific as the conservative economist holds them to be? Is interest, in spite of the sentiments of religious and ethical teachers to the contrary, morally justifiable and economically indispensable?

It seems to the writer that the true answer is that "something" is wrong with interest as we know it, although it is not wrong *per se* and under all circumstances. To the extent to which interest is payment for risk incurred in surrendering one's capital or savings into the possession and control of another, it is just. To the extent to which it is reward for the sacrifice involved in deferring satisfactions and exchanging present goods for future goods, it is also just. But what would the *rate* of interest normally be in an industrial and civilized society if these two items, and they alone, went into the charge called interest? It must be borne in mind that, if there be a proper charge for risk incurred, there is also a charge to offset it, in part at least, the charge properly made for taking care of another's capital. It must further be remembered that there is risk in keeping one's savings as well as in letting another keep them. As to the self-denial involved in deferring pleasure and giving up present goods in the hope of enjoying future goods, it should not be forgotten that it is not purely altruistic. Ordinary prudence and foresight will, in the majority of cases, impel men to

save and provide for old age or disability. They need not, on the theory under consideration, be paid for serving themselves, but only for serving others. Now, the trouble is that they are paid more than their service to others is worth. Interest, in short, is a sum in which some of the constituent items represent something other than risk or compensation for social service. That something is monopoly.

Interest would be just if it were absolutely normal. It could only be normal in an ideally—or really—free market, in an economic and social order characterized by equality of opportunity, by equality of freedom, by the total absence of special privilege, of artificial and unjust monopoly. In such circumstances as these capital would be abundant, for more men would be able to save than is the case now. Capital would compete more actively for investment opportunities, and the rate of interest would tend to fall. And not only would more men be able to save, but the saving would involve no great sacrifice. There would be a wider diffusion of well-being, of comfort. Saving would not mean the giving up of necessaries or of the things we regard as all but necessary to decent human existence. It would mean the deferring of pleasures and gratifications that fall into the category of luxuries. Naturally, self-denial in this sense would require and receive less compensation than the abstinence that means pain, hardship, and misery.

Our present order is not "free" in the sense intended by the classical champions of healthy and vigorous competition "in a fair field." The field is not and never has been fair. Land and other natural opportunities have not been equally accessible to all. It is hardly necessary to speak of the mediaeval land tenures, of the royal gifts of vast estates to favorites, of violent or fraudulent inclosures of common lands, of the appropriation of mines and other natural or national assets by small groups. It is sufficient to allude to the fact that even in the United States, the land "whose other name is opportunity," national assets have been handed over to the few. Conservation and the fair utilization of natural assets in the interest of the whole nation are new and recent "reforms" in the sphere of American politics. It is justly

felt that the profligate policy that has been thoughtlessly followed in the past has contributed to the great evils of unmerited poverty and involuntary idleness.

Similarly, every unfair privilege, every anti-social monopoly, every serious social abuse permitted or tolerated by law and society, may be said to inure directly or indirectly to the advantage of men of property and capital. They command higher rates of compensation for their capital because of the inability of so many thrifty and industrious persons to support themselves in relative comfort and, in addition, save part of their incomes for future use and enjoyment. The first and principal remedy for poverty, according to Bastiat, the great French free-trade economist, and his school, is "abundance." The modern world does not produce enough, in spite of all our inventions. It does not produce enough because of mediaeval survivals, of antiquated land tenures and laws, of indefensible systems of taxation and revenue. And a society that does not produce enough cannot save enough to devote to further production; capital, therefore, is dear in such a society and interest rates are higher than they would "normally" be.

Nor is this all. Other causes contribute to the element of iniquity and injustice that is vaguely felt to reside in interest. The interest question is, and has always been, largely a "money question." That is to say, bad and unjust banking and currency arrangements have made capital dear and interest rates high. This has become a truism in our own day, and we have been reforming our currency and financial systems for the recognized and avowed purpose of preventing the exploitation of industry by the monopolists of credit and of the banking power. President Wilson has used very vigorous language in describing the effect of monopolized credit and the need of "democratizing" credit and enabling men of affairs in country and city to obtain capital at reasonable rates. What has been done by national legislation (notably by the law establishing the regional reserve banks and authorizing a form of asset banking) is, however, merely a beginning. Even conservative economists are now advocating legislation providing for the organization of rural credit facilities on a co-operative or mutual basis. For the bulk of ordinary commercial transactions

in the centers of industry and trade, additional legislation is proposed in the direction of "asset banking," or the monetization of goods of certain kinds that are intended for early consumption.

The relation between capital and money—real or representative, hard or "soft"—is a difficult subject that has engaged the attention of economists for many years. This is not the place to deal with it, but it may be pointed out that the drift of liberal opinion among economists has favored the view that the old rigid notion regarding the comparative unimportance or irrelevance of the currency question in a discussion of interest was utterly unsound. It is true that the man who wants capital for productive purposes pays interest for capital, not for money, which is nothing but a means to his end, a medium of exchange. It is true that the manufacturer who borrows at a bank really, if indirectly, borrows machinery, tools, iron and steel, wood and brick. The money he borrows is at once paid out by him in the process of acquiring commodities and enlarging his plant or his markets. Still, as society is organized, the manufacturer cannot borrow capital. He *must* apply to the go-between, the banker or the money-lender, and what the latter can or will do to accommodate him is determined, not merely by the state of things in the goods or capital market, but also—and sometimes exclusively—by the state of things in the money market. A money panic or a money flurry is not necessarily a capital panic or flurry. A money famine does not imply a goods famine by any manner of means.

The dangers to industry and commerce that result from the inflation of the currency, or from cheap or fiat money, have been dwelt on sufficiently. The danger of contraction of the currency through causes that have nothing to do with the production and movement of goods, of capital available for further production, has not received nearly the attention it deserves. For decades practically all the measures taken to safeguard the currency were anti-inflation measures. At last it is beginning to be realized that contraction of the currency, whether deliberate or accidental, may be as disastrous as inflation. A system, or a set of banking and currency laws, that begets periodical money panics and flurries, that raises interest rates absolutely without reference to the condi-

tions in the capital market, is bad for industry, bad for all legitimate borrowers of capital, and bad for labor.

It is no longer denied by really scientific economists that the interest question in our day is largely a currency and banking question, and even to some extent a question of standards of value and deferred payments. The advocates of a multiple standard of value—from Jevons down—have laid proper stress on the injustice inherent in any metallic standard. The victims of the injustice are usually the borrowers and the toilers, not the recipients of property income in the shape of interest.

If, then, crude, unfair, and unscientific banking and currency systems have favored the lenders and oppressed the borrowers and the entrepreneurs, it follows that they have at the same time, and in the same manner, hampered the farmer, the mechanic, and the wage-worker. This is another way of saying that interest has been higher than it would have been under proper conditions and enlightened financial legislation.

But to say that there is much injustice in interest, and that true progress will result in the steady lowering of the rate of interest, is not to say that interest will ever, in a competitive order, reach the vanishing-point. Capital will never be had "for the asking"; risk and self-denial will always have to be paid for. But abundance, true freedom, and equality of opportunity, with a rational system of revenue and high taxation of private land held out of use for speculative purposes, will combine to make the rate of payment small. Again, the substitution of co-operation for competition in productive and distributive industries—a process that, as the present writer has shown in an earlier paper in this *Journal*, is certain to gain steadily in momentum as well as in scope and breadth—must also contribute more and more powerfully to the reduction of the charge called interest. Today labor has to intrust its savings to corporations and institutions that are used almost exclusively by capitalists. Co-operation will enable labor to make productive use of a growing part of its own saved capital.

One sometimes hears from the most unterrified social radicals the admission that "under existing economic and social arrangements interest is not unjust." When analyzed, this admission

amounts to no more than the recognition of the fact that he who lends capital performs a service to the borrower of it and is entitled to compensation for that service, as well as for the risk incurred by him. It also implies, however, that, as evolutionists, we cannot throw the blame for the element of injustice in interest on the possessors of capital or the recipients of property income. There are no "conspiracies" to maintain interest or to prevent its decline. Even the bad laws that have hampered industry and restricted opportunity by creating an artificial scarcity of money and credit have never been the result of deliberate conspiracies. There is such a thing as class or group legislation without real consciousness of class or group interest. There is considerable "robbery" in interest, but the recipients of interest are not deliberate "robbers." They are the beneficiaries of a system that is supported by most of us, that has been sincerely defended by good and able men, and that is even now so defended by earnest and high-minded thinkers. The system, however, as Proudhon said long ago, and as Professor Nearing shows again, is becoming economically "impossible." Labor and enterprise cannot carry the interest burden much longer. It will have to be lightened and lifted. It is, war and calamity apart, being lightened and lifted. Only so much of it will continue to be carried as is justified and sanctioned by the principle of service.